

Message Text

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ORIGIN AGR-08

INFO OCT-01 EUR-12 NEA-10 IO-10 ISO-00 AID-05 CEA-01

CIAE-00 COME-00 EB-07 FRB-03 INR-07 NSAE-00 CIEP-01

SP-02 STR-04 TRSE-00 LAB-04 SIL-01 SAM-01 OMB-01 L-03

SS-15 NSC-05 SAJ-01 /102 R

DRAFTED BY AGRI/ITP/FAS/TOD:RSCHROETER:JVM

APPROVED BY EB/OT/TA:WGBARRACLOUGH

AGRIC/FAS/TOD:JMBESHOAR

AGRIC/FAS/FCA:DNOVOTNY

AGRIC/FAS:DHUME E:RPOATS

AGRIC:RBELL EUR/RPE:ECASEY

EB/OT/TA:TFO'HERRON

STR:JSTARKEY NEA/EGY:GBROWN

TREASURY:MCHAVES

COMMERCE:DSCHLECTY S/S:FVORTIZ

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INFO AMEMBASSY BONN

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AMEMBASSY THE HAGUE

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E.O. 11652: N/A

TAGS:ETRD, EAGR, EC, US, EG

SUBJECT:EC - EGYPT LONG TERM AGRICULTURAL AGREEMENT

REFS: (A) EC BRUSSELS 9242, (B) CAIRO 9566

1. REPORT IN REF. A ON EC COUNCIL OF AGRICULTURAL MINISTERS DISCUSSION OF THE DRAFT EC-EGYPT LONG TERM AGRICULTURAL AGREEMENT MENTIONS (PARA. 3) THAT EC COMMISSION OFFICIAL WIJNMAALEN RAISED WITH MISSION OFFICERS QUESTIONS REGARDING THE U.S. POSITION ON THE DRAFT AGREEMENT. MISSION IS REQUESTED TO INFORM WIJNMAALEN THAT THERE HAS BEEN NO CHANGE IN U.S. POSITION ON EC-EGYPT AGREEMENT. U.S. IS SYMPATHETIC TO EGYPTIAN DESIRES TO OBTAIN SUPPLY ASSURANCES FOR CERTAIN AGRICULTURAL PRODUCTS BUT WE ARE CONCERNED OVER FORMAL COMMITMENTS, WHICH COULD INCLUDE SUBSIDY ELEMENTS, THAT WOULD BE ENTERED INTO UNDER THE EC-EGYPTIAN AGREEMENT. THESE CONCERNS ARE ELABORATED BELOW.

, -" - - ; " THAT THE EGYPTIAN

2. DRAFT AGREEMENT SPECIFIES THAT THE EGYPTIAN GOVERNMENT UNDERTAKES TO IMPORT AND THE EC TO SUPPLY FOR THE 1975-76 MARKETING YEAR ONE MILLION METRIC TONS OF WHEAT OR WHEAT FLOUR (PRESUMABLY ADDITIONAL TO FOOD AID). FLOUR COMPONENT WOULD BE AT LEAST 200,000 TONS. THIS COULD REDUCE THE POTENTIAL FOR FURTHER U.S. COMMERCIAL SALES IN 1975/76.

3. EC WHEAT WOULD BE SUPPLIED WITHIN A PRICE BRACKET OF \$120 TO \$175 PER TON. FLOUR PRICE WOULD BE DETERMINED BY REFERENCE TO WHEAT PRICE. THESE PRICE PROVISIONS WOULD INVOLVE INTERFERENCE WITH COMPETITIVE MARKET FORCES IF WORLD PRICES ARE OUTSIDE PRICE BRACKET. MOREOVER, PRICE BRACKET SEEMS TO CONTAIN IMPLICIT EXPORT SUBSIDY GUARANTEE FOR BOTH WHEAT AND FLOUR WHEN WORLD MARKET PRICES ARE BELOW INTERNAL EC PRICES OR WHEN BOTH EC AND WORLD PRICES ARE ABOVE MAXIMUM PRICE. THIS SUBSIDY GUARANTEE WOULD ESTABLISH LIMITED OFFICIAL USE

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DISTURBING PRECEDENT FOR TRADE AGREEMENTS.

4. ABOVE POINTS SHOULD BE USED AS GUIDANCE IN DISCUSSIONS ADDRESSEE POSTS MAY HAVE WITH HOST GOVERNMENT OFFICIALS ON EC-EGYPTIAN AGREEMENT. IF SUBJECT OF U.S.-USSR GRAINS AGREEMENT ARISES DURING SUCH DISCUSSIONS, POSTS SHOULD EMPHASIZE THAT U.S. CONCERNS OVER EC-EGYPTIAN AGREEMENT ARE NOT INCONSISTENT WITH

U.S. POSITION ON GRAINS AGREEMENT WITH THE USSR.
U.S.-USSR GRAINS AGREEMENT IS AIMED AT IMPROVING
CONDITIONS OF TRADE AND AT REDUCING PRICE
FLUCTUATIONS RESULTING FROM LARGE UNEXPECTED SOVIET
PURCHASES WHICH ARE TO DETRIMENT OF OTHER BUYERS.
SOVIET PURCHASES WILL BE AT MARKET PRICES WITH NO
SUBSIDIES INVOLVED. KISSINGER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WHEAT, AGRICULTURAL AGREEMENTS, LONG TERM LEASES, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 26 NOV 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975STATE279286
Document Source: CORE
Document Unique ID: 00
Drafter: RSCHROETER:JVM
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750411-1060
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19751111/aaaaajfq.tel
Line Count: 122
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN AGR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 EC BRUSSELS 9242, 75 CAIRO 9566
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 28 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28 APR 2003 by BoyleJA>; APPROVED <15 OCT 2003 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: C - EGYPT LONG TERM AGRICULTURAL AGREEMENT
TAGS: ETRD, EAGR, EC, US, EG
To: EC BRUSSELS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006